

Message Text

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44

ACTION EUR-12

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 6720

INFO AMEMBASSY MOSCOW

AMEMBASSY VIENNA

AMCONSUL MUNICH

ZEN AMEMBASSY BERLIN (POUCH)

AMEMBASSY BUCHAREST (POUCH)

AMEMBASSY PRAGUE (POUCHXX

AMEMBASSY SOFIA (POUCH)

AMEMBASSY WARSAW (POUCH)

USMISSION NATO BRUSSELS (POUCH)

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VIENNA FOR EWTRD

MUNICH FOR RFE

E.,#. 11652: N/A

TAGS: ETRD, EEWT, HU, UR

SUBJ: HUNGARIAN SIX MONTH TRADE FIGURES

REFS: (A) BUDAPEST 2630, (B) BUDAPEST 1683, (C) BUDAPEST 0235

1. SUMMARY: DETAILS OF HUNGARY'S SIX-MONTH FOREIGN TRADE RESULTS IN LATEST MONTHLY STATISTICAL BULLETIN ROUGHLY CONFIRM ESTIMATES IN REF A. HUNGARY LOST 126 MILLION RUBLES AND 254 MILLION DOLLARS DURING THE PERIOD; BOTH FIGURES REFLECT IMPROVEMENT OVER 1975. THE CHIEF OF HUNGARY'S TRADE MISSION IN MOSCOW HAS DESCRIBED PROBLEMS IN HUNGARIAN-USSR

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TRADE AND SEVERELY CRITICIZED BOTH SOCIETS AND HUNGARIAN

ENTERPRISES. END SUMMARY.

2. IN JULY 30 VILAGGAZDASAG INTERVIEW (REF A), MINISTRY OF FOREIGN TRADE OFFICIAL LAJOS OSVATH REPORTED INCREASES IN HUNGARY'S RUBLE EXPORTS AND IMPORTS. OSVATH WAS "ACCOUNTING" IN RUBLES; DUE TO JANUARY REVALUATION OF FORINT BY 12.5 PERCENT VIS-A-VIS RUBLE (REF C), "ACCOUNTING"

IN FORINTS RESULTS IN A DECLINE IN BOTH IMPORTS (7 PERCENT) AND EXPORTS (4 PERCENT). (MONTHLY STATISTICAL BULLETING REPORTS MOST DATA IN FORINTS.) THE RESULTING 125.9 MILLION RUBLE LOSS COMPARES FAVORABLY WITH THE 163.7 MILLION RUBLE DEFICIT DURING JANUARY-JUNE 1975.

3. AGAIN ACCOUNTING IN FORINTS, HARD CURRENCY EXPORTS DECLINED ALMOST 4 PERCENT (ACCORDING TO OSVATH CONVERTIBLE CURRENCY EXPORTS ROSE 3 PERCENT) AND IMPORTS FELL 21 PERCENT. THE DEFICIT, 254.4 MILLION DOLLARS IS A SUBSTANTIAL IMPROVEMENT OVER THE 522.3 MILLION DOLLAR LOSS SUFFERED DURING THE FIRST HALF OF LAST YEAR.

4. CONVERTIBLE CURRENCY EXPORTS AND IMPORTS OF "INDUSTRIAL" FOOD MATERIALS (SUCH AS PROTEIN SUPPLEMENTS) AND CONSUMER FOOD ITEMS DROPPED MARKEDLY; HARD CURRENCY EXPORTS OF RAW MATERIALS, SEMI-FINISHED GOODS AND PARTS INCREASED. ENERGY IMPORTS PAID FOR IN RUBLES ROSE 7 PERCENT, WHILE RUBLE EXPORTS OF CONSUMER GOODS DROPPED 15 PERCENT. THE CEMA COUNTRIES' SHARE OF TOTAL TRADE DECLINED NOTICEABLY (USSR, FOR INSTANCE, FROM NEARLY 37 PERCENT DURING ALL OF 1975 TO ABOUT 31 PERCENT). FRANCE AND SEITZERLAND (INCLUDING LICHTENSTEIN) MOVED UP IN IMPORTANCE AS TRADING PARTNERS, WHILE YUGOSLAVIA AND IRAQ LOST GROUND.

5. AN UNUSUALLY CRITICAL ARTICLE ON HUNGARIAN-USSR TRADE PROBLEMS DURING THE FIRST HALF YEAR APPEARED IN THE AUGUST 12 ISSUE OF VILAGGAZDASAG. THE HEAD OF THE HUNGARIAN TRADE MISSION IN MOSCOW (MILKLOS KADALA) NOTED THAT: (A) NEW CONTRACTS BETWEEN HUNGARIAN AND SOVIET ENTERPRISES INCREASED 8 PERCENT, BUT THE SITUATION DID NOT IMPROVE IN THE INVESTMENT GOODS SECTOR. ENTER-LIMITED OFFICIAL USE

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PRIZE CONTRACTS SURPASSED 3.3 BILLION RUBLES, BUT ACTUAL TRADE RESULTS FOR THE SIX MONTHS LAGGED BEHIND ESTIMATES BY 3.4 PERCENT AND WERE LESS THAN IN THE SIMILAR 1975 PERIOD; (B) SOVIETS HAVE NOT SUPPLIED AGREED-UPON AMOUNTS OF SOME CHEMICALS, SPECIFICALLY POLYSTYRENE AND YELLOW PHOSPHORUS, AND HAVE NOT MET THEIR OBLIGATIONS IN SUPPLYING TRACTOR PARTS AND MOTORS; (C) IN ADDITION, SOVIETS HAVE CEASED ORDERING HUNGARIAN-MADE COLOR TV FRAMES; A (OBVIOUSLY HOPED

FOR) CONTRACT FOR 580,000 PAIRS OF LEATHER SHOES HAS NOT BEEN CONCLUDED; NOR HAVE TELEPHONE SWITCHING UNIT CONTRACTS. THE NUMBER OF "ABOVE QUOTA" CONTRACTS IS DOWN CONSIDERABLY OVER 1975. THE HUNGARIAN FTO KOMPLEX CANNOT SELL FOOD INDUSTRY EQUIPMENT BECAUSE THE SOVIETS CONTINUALLY RAISE NEW REQUIREMENTS, AND SOVIETS HAVE CANCELED AN ORDER FOR ONE PLANT TO BE BUILT BY CHEMO-KOMPLEX AND SUBSTANTIALLY MODIFIED ANOTHER REQUEST; (D) KADALA CRITICIZED HUNGARIAN FIRMS FOR LAGGING IN SHIPMENTS FOR UST-ILIMSK CELLULOSE COMPLEX, AN ESPECIALLY DISADVANTAGEOUS SHORTCOMING TO HUNGARY BECAUSE IT DELAYS SHIPMENT OF SOVIET "COUNTER VALUE" RAW MATERIALS; (E) MAGYARS ALSO TAKEN TO TASK FOR FAILING TO SHIP EYEGGLASS FRAMES, WIRE MACHINERY AND SHOES. ACCORDING TO KADALA QUALITY OF HUNGARIAN FOOTWEAR EXPORTS TO USSR HAS DECLINED TO SUCH AN EXTENT THAT EXPORTS OF THREE PLANTS HAVE BEEN SUSPENDED; (F) HUNGARY HAS NOT PURCHASED PLANNED QUANTITIES OF PIG IRON, STEEL, IRON CONCENTRATE, COKE, GYPSUM AND SOME CHEMICALS; (G) SOVIETS THREATENING TO SEND BACK 17 AUTOMATED PRODUCTION LINES TO PRODUCE DRINKING GLASSES UNLESS HUNGARIAN FIRM (TUNGSRAM) CORRECTS DEFICIENCIES.

6. COMMENT: KADALA'S CRITICISM IS FAR HARSHER THAN NORMAL. PACE OF RUBLE TRADE (ESPECIALLY WITH USSR) WILL PROBABLY PICK UP SOMEWHAT DURING REMAINDER OF YEAR, BUT MAGYARS CAN EXPECT TO CUT 1975 RUBLE DEFICIT OF 373 MILLION. REF C NOTED EXTRAORDINARY ITEMS WHICH DISTORTED FIRST HALF 1975 RESULTS, ESPECIALLY IN CONVERTIBLE CURRENCY TRADE. SITUATION SO FAR IN 1976 MORE "NORMAL;" EMBASSY EXPECTS GOH TO CUT RATE OF HARD CURRENCY LOSSES SOMEWHAT DURING LAST HALF OF YEAR, AND TOTAL "DOLLAR" DEFICIT SHOULD BE LESS THAN IN LIMITED OFFICIAL USE

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1975.
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